



**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR**

**PHIL BRYANT  
State Auditor**

**RAMONA HILL, CPA  
Director, Department of Audit**

**BRENT BALLARD, CPA  
Director, Division of College and University Audits**

**BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING**

**Audited Financial Statements  
For the Year Ended June 30, 1996**



BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING

TABLE OF CONTENTS

FINANCIAL AUDIT REPORT.....	1
INDEPENDENT AUDITOR'S REPORT.....	3
AUDITED FINANCIAL STATEMENTS .....	5
Balance Sheet .....	6
Statement of Changes in Fund Balances .....	8
Statement of Current Fund Revenues, Expenditures and Other Changes .....	10
Summary of Significant Accounting Policies .....	11
Notes to Financial Statements .....	13
SUPPLEMENTAL INFORMATION.....	19
Schedule of Federal Financial Assistance.....	20
Notes to Schedule of Federal Financial Assistance .....	21
COMPLIANCE REPORT ON MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS.....	23
REPORT ON INTERNAL CONTROL .....	27
MANAGEMENT REPORT .....	33
SCHEDULE OF FINDINGS AND RECOMMENDATIONS .....	39
DATA SHEET	
INSTITUTION'S RESPONSE	

*The Office of the State Auditor does not discriminate on the basis of race,  
religion, national origin, sex, age or disability*

BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING

FINANCIAL AUDIT REPORT

BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING

(This page left blank intentionally)



## State of Mississippi

### OFFICE OF THE STATE AUDITOR

PHIL BRYANT

AUDITOR

### INDEPENDENT AUDITOR'S REPORT

December 23, 1997

Board of Trustees  
State Institutions of Higher Learning  
Jackson, Mississippi

We have audited the accompanying balance sheet of the Board of Trustees of the State Institutions of Higher Learning as of June 30, 1996, the related statement of changes in fund balances and the statement of current fund revenues, expenditures and other changes for the year then ended. These financial statements are the responsibility of the Board of Trustees of the State Institutions of Higher Learning's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board of Trustees of the State Institutions of Higher Learning at June 30, 1996, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made primarily for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Federal Financial Assistance listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Board of Trustees of the State Institutions of Higher Learning. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued a report dated December 23, 1997 on our consideration of the Board of Trustees of the State Institutions of Higher Learning's internal control structure and a report dated December 23, 1997 on its compliance with laws and regulations.

A handwritten signature in cursive script that reads "Ramona Hill".

RAMONA HILL, CPA  
Director, Department of Audit

BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING

(This page left blank intentionally)



BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING

AUDITED FINANCIAL STATEMENTS

BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING  
Balance Sheet  
June 30, 1996  
(With Comparative Figures at June 30, 1995)

Exhibit A

ASSETS	Current Year	Prior Year	LIABILITIES AND FUND BALANCES	Current Year	Prior Year
Current Funds			Current Funds		
Current Unrestricted Funds:			Current Unrestricted Funds:		
Cash and other deposits (Note 5)	\$ 29,852	10,560	Accounts payable and accrued expenses	\$ 575,925	560,464
Investments (Note 6)	161,251	1,083,749	Accrued leave (Note 3)	412,921	408,513
Accounts receivable:			Deposits refundable	32,440	25,650
State appropriation	518,440	136,263	Deferred credits		59,125
Other, less allowance of			Due to State Treasury	31,522	
\$4,932 (1996) and			Cash overdraft (Note 5)	80,871	225,785
\$6,756 (1995)	388,005	438,340	Fund balances:		
Notes receivable:			Unallocated		
Federal student loans (Note 7)	22,253		General (Note 14)	(159,879)	1,196,276
Inventories	743,452	544,022	Auxiliary	939,353	796,026
Prepaid items and deferred charges	49,900	59,821			
Due from State Treasury		363,780			
Due from other funds		635,304			
Total Current Unrestricted Funds	<u>1,913,153</u>	<u>3,271,839</u>	Total Current Unrestricted Funds	<u>1,913,153</u>	<u>3,271,839</u>
Current Restricted Funds:			Current Restricted Funds:		
Cash and other deposits (Note 5)	10,539,380		Accounts payable and accrued expenses	11,883	116,324
Investments (Note 6)	94,412	230,537	Accrued leave (Note 3)	25,437	23,918
Other accounts receivable	63,954	421,807	Due to other funds		387,647
			Fund balance:		
			Allocated	10,660,426	124,455
Total Current Restricted Funds	<u>10,697,746</u>	<u>652,344</u>	Total Current Restricted Funds	<u>10,697,746</u>	<u>652,344</u>
Total Current Funds	<u>\$ 12,610,899</u>	<u>3,924,183</u>	Total Current Funds	<u>\$ 12,610,899</u>	<u>3,924,183</u>

Loan Funds			
Cash and other deposits (Note 5)	\$	668,208	
Investments (Note 6)		3,292,483	7,790,319
Other accounts receivable		40,574	67,707
Notes receivable:			
Federal student loans, less allowance of \$16,677 (1996) and \$20,410 (1995) (Note 7)		539,233	659,910
Institutional student loans, less allowance of \$268,919 (1996) and \$186,844 (1995) (Note 7)		8,695,052	6,065,782
Prepaid items and deferred charges			2,436
Total Loan Funds	\$	<u>13,235,550</u>	<u>14,586,154</u>

Endowment and Similar Funds			
Cash and other deposits (Note 5)	\$	4,685	4,694
Total Endowment & Similar Funds	\$	<u>4,685</u>	<u>4,694</u>

Plant Funds			
Cash and other deposits (Note 5)	\$	966	306,830
Improvements other than buildings		790,539	790,539
Buildings		6,174,883	6,174,883
Furniture, machinery and equipment		1,978,621	1,883,637
Books and films			25,709
Assets under capital leases (Note 8)		86,872	63,177
Total Plant Funds	\$	<u>9,031,881</u>	<u>9,244,775</u>

Agency Funds			
Cash and other deposits (Note 5)	\$	2,845,678	466,149
Investments (Note 6)		4,319,710	10,135,480
Other accounts receivable		64,735	137,860
Deferred compensation plan assets at fair market value (Note 13)		245,851	213,995
Total Agency Funds	\$	<u>7,475,974</u>	<u>10,953,484</u>

Loan Funds			
Accounts payable and accrued expenses	\$		71,502
Due to other funds			247,657
Fund balances:			
Federal		547,799	680,320
Institution		12,687,751	13,586,675
Total Loan Funds	\$	<u>13,235,550</u>	<u>14,586,154</u>

Endowment and Similar Funds			
Fund balances:			
Quasi-endowment	\$	4,685	4,694
Total Endowment & Similar Funds	\$	<u>4,685</u>	<u>4,694</u>

Plant Funds			
Accounts payable and accrued expenses	\$		37,243
Obligations under capital leases (Note 8)		50,394	39,866
Fund balances:			
Unexpended		966	269,587
Net investment in plant		8,980,521	8,898,079
Total Plant Funds	\$	<u>9,031,881</u>	<u>9,244,775</u>

Agency Funds			
Accounts payable and accrued expenses	\$	125,610	13,779
Due to depositors - master lease fund		50,962	46,921
Due to depositors - workers compensation fund (Note 10)		2,774,827	3,350,100
Due to depositors - unemployment fund (Note 11)		695,903	601,311
Due to depositors - tort liability fund (Note 12)		3,582,095	6,726,652
Due to depositors - cafeteria fund		726	726
Due to depositors - deferred compensation fund (Note 13)		245,851	213,995
Total Agency Funds	\$	<u>7,475,974</u>	<u>10,953,484</u>

See accompanying Summary of Significant Accounting Policies and Notes to Financial Statements.

BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING  
Statement of Changes in Fund Balances  
For the Year Ended June 30, 1996

Exhibit B

	Current Funds			Loan Funds	Endowment and Similar Funds	Plant Funds	
	Unrestricted	Restricted	Total			Unexpended	Investment in Plant
Revenues and Other Additions							
State appropriations	\$ 7,268,481	20,617,837	27,886,318	950,126			
Federal grants and contracts		2,239,103	2,239,103				
Private gifts, grants & contracts	308,446	63,964	372,410	75,000			
Investment income	65,412	15,143	80,555	386,965	136		
Reduction in provisions for uncollectibles	1,824		1,824				
Interest on loans receivable				45,213			
Additions to plant facilities							277,029
Retirement of indebtedness							13,167
Sales and services of educational activities	104,874		104,874				
Sales and services of auxiliary activities	1,646,473		1,646,473				
Other	110,113	62,646	172,759	543			
Total Rev. & Other Additions	9,505,623	22,998,693	32,504,316	1,457,847	136		290,196
Expenditures & Other Deductions							
Educational and general:							
Academic support		1,648,422	1,648,422				
Student services	652,294		652,294				
Institutional support	5,820,667	2,598	5,823,265				
Operation & maintenance of plant	1,264,651		1,264,651				
Student aid		10,663,486	10,663,486	2,165,689	145		
Total Educational and General	7,737,612	12,314,506	20,052,118	2,165,689	145		
Auxiliary	1,833,305		1,833,305				
Expended for plant facilities						1,805	
Plant assets sold or retired							184,059
Long-term debt incurred							23,695
Provision for uncollectible accounts				78,342			
Provision for accrued leave	4,408	1,519	5,927				
Other		2,981	2,981				
Total Expenditures and Other Deductions	9,575,325	12,319,006	21,894,331	2,244,031	145	1,805	207,754

Transfers - Additions (Deductions)

Other:

Fund equity reclassification	<u>512,077</u>		<u>512,077</u>	<u>(245,261)</u>		<u>(266,816)</u>	
Total Other	<u>512,077</u>		<u>512,077</u>	<u>(245,261)</u>		<u>(266,816)</u>	
Total Transfers	<u>512,077</u>		<u>512,077</u>	<u>(245,261)</u>		<u>(266,816)</u>	
Net Increase (Decr.) for Year	<u>442,375</u>	<u>10,679,687</u>	<u>11,122,062</u>	<u>(1,031,445)</u>	<u>(9)</u>	<u>(268,621)</u>	<u>82,442</u>
Fund Balance at Beg. of Year							
As Previously Reported	1,992,302	124,455	2,116,757	14,266,995	4,694	269,587	8,898,079
Adjustments (Note 4)	<u>(1,655,203)</u>	<u>(143,716)</u>	<u>(1,798,919)</u>				
Restated	<u>337,099</u>	<u>(19,261)</u>	<u>317,838</u>	<u>14,266,995</u>	<u>4,694</u>	<u>269,587</u>	<u>8,898,079</u>
Fund Balance at End of Year	<u>\$ 779,474</u>	<u>10,660,426</u>	<u>11,439,900</u>	<u>13,235,550</u>	<u>4,685</u>	<u>966</u>	<u>8,980,521</u>

See accompanying Summary of Significant Accounting Policies and Notes to Financial Statements.

BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING  
Statement of Current Fund Revenues, Expenditures and Other Changes  
For the Year Ended June 30, 1996  
(With Comparative Figures for the Year Ended June 30, 1995)

Exhibit C

	Current Year			Prior Year
	Unrestricted	Restricted	Total	Total
Revenues and Other Additions				
State appropriations	\$ 7,268,481	9,933,650	17,202,131	11,053,281
Federal grants and contracts		2,239,103	2,239,103	2,330,515
State grants and contracts				234,326
Private gifts, grants and contracts	308,446	63,964	372,410	280,753
Investment income	65,412	15,143	80,555	599,378
Reduction in provisions for uncollectibles	1,824		1,824	
Sales and services of educational activities	104,874		104,874	93,187
Sales and services of auxiliary activities	1,646,473		1,646,473	4,042,911
Reduction in provisions for accrued leave				16,683
Other	110,113	62,646	172,759	96,015
Total Revenues and Other Additions	9,505,623	12,314,506	21,820,129	18,747,049
Expenditures & Mandatory Transfers				
Educational and general:				
Academic support		1,648,422	1,648,422	2,071,850
Student services	652,294		652,294	622,900
Institutional support	5,820,667	2,598	5,823,265	9,362,481
Operation & maintenance of plant	1,264,651		1,264,651	1,135,665
Student aid		10,663,486	10,663,486	1,248,038
Total Educational and General Expenditures	7,737,612	12,314,506	20,052,118	14,440,934
Auxiliary enterprises:				
Expenditures	1,833,305		1,833,305	3,312,179
Total Expenditures and Mandatory Transfers	9,570,917	12,314,506	21,885,423	17,753,113
Other Transfers - Additions (Ded.)				
Excess restricted receipts over expenditures & mandatory transfers		10,684,187	10,684,187	(84,325)
Capital building projects				(144,964)
Fund equity reclassification	512,077		512,077	
Provision for uncollectible accounts				(2,042)
Provision for accrued leave	(4,408)	(1,519)	(5,927)	
Other		(2,981)	(2,981)	
Total Other Transfers - Additions (Deductions)	507,669	10,679,687	11,187,356	(231,331)
Net Change in Fund Balance	\$ 442,375	10,679,687	11,122,062	762,605

See accompanying Summary of Significant Accounting Policies and Notes to Financial Statements.

## BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING

### Summary of Significant Accounting Policies For the Year Ended June 30, 1996

The significant accounting policies followed by the Board of Trustees of the State Institutions of Higher Learning are described below to enhance the usefulness of the financial statements to the reader.

#### (1) Basis of Accounting.

The financial statements have been prepared generally in accordance with the accounting principles outlined in the Financial and Reporting Manual for Higher Education, and the American Institute of Certified Public Accountants Industry Audit Guide on Audits of Colleges and Universities.

The accompanying financial statements have been prepared generally on the accrual basis with the following exceptions, which are common practices in colleges and universities:

- A. Depreciation on physical plant and equipment has not been provided.
- B. To the extent that Current Funds are used to finance plant assets, the amounts so provided are accounted for as (a) expenditures, in the case of normal acquisition and/or replacement of moveable equipment and library books; (b) mandatory transfers, in the case of required provisions for debt amortization and interest, and equipment renewals and replacements; and (c) transfers of a nonmandatory nature for all other cases.
- C. Interest on student loans is recorded only when received.
- D. Interest expense on debt is recorded when paid.

Gifts, grants and pledges are generally recorded when received or when billable.

Investments are recorded at cost if purchased or if acquired by gift at fair market value at the time of donation.

Property, buildings and equipment are stated at cost at the date of acquisition or fair market value at the date of donation. Improvements made as part of repair and renovation projects are capitalized based upon institution estimates which approximate cost. Public domain (infrastructure) fixed assets consisting of certain improvements other than buildings, such as roads, bridges, sidewalks, drainage systems, lighting systems and similar assets that are immovable and of value only to the institution, are capitalized.

Merchandise for resale inventories and consumable supply inventories are stated at cost, with cost being determined principally by the first-in, first-out method.

Service activities at the institution are those activities which provide general services benefiting many funds. Service activities include a central store, physical plant and print shop.

#### (2) Fund Accounting.

In order to insure observance of limitations and restrictions placed on the use of the resources available, the accounts of the institution are maintained in accordance with the principles of "fund accounting." This accounting is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

## BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING

### Summary of Significant Accounting Policies For the Year Ended June 30, 1996

The Current Funds are used primarily to account for transactions which are expended in performing the primary and support objectives of the institution.

Current Funds consist of the following:

- A. The Unrestricted Fund which is used to account for:
  - 1. The appropriated budget as approved by the Mississippi State Legislature and the Board of Trustees of State Institutions of Higher Learning.
  - 2. The unrestricted resources designated for specific purposes by the institution's administration.
- B. The Restricted Fund which is used to account for Current Funds expended for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended.

Other funds consist of the following:

- A. The Loan Funds are used to account for loans to students. Resources to provide loans are derived primarily from the federal, state and private sources.
- B. Endowment and Similar Funds which generally are subject to the restrictions of donor gift instruments. These endowments take the form of Quasi-endowment Funds which are funds established by the governing board to function like an Endowment Fund but may be totally expended at any time at the discretion of the governing board.
- C. The Plant Funds which are used to account for the transactions relating to institution physical properties include:
  - 1. The Unexpended Plant Fund which is comprised of amounts which have been appropriated or designated for the purchase of institution physical properties or the repair and maintenance of such physical properties
  - 2. The Investment in Plant Fund which represents the total physical properties in service by the institution and all construction in progress as well as any associated liabilities.
- D. Agency Funds account for assets held by the institution as custodian or fiscal agent for others. Consequently, the transactions of this fund do not affect the statement of changes in fund balances.



# BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING

## Notes to Financial Statements For the Year Ended June 30, 1996

### (1) Financial Reporting Entity.

The Board of Trustees of the State Institutions of Higher Learning (the Board) is the governing board for the state supported universities. The financial statements include the operations of the board office and the University Press of Mississippi. The state supported institutions which are governed by the Board are audited separately and are not included in these financial statements.

### (2) Appropriations - General Operations.

The Board of Trustees of the State Institutions of Higher Learning receives annual appropriations for operations from the state of Mississippi. The laws of the state and the policies and procedures specified by the state for state agencies and institutions are applicable to the activities of the institution.

### (3) Accrued Leave.

Twelve-month employees earn annual personal leave at a rate of 12 hours per month for zero to three years of service; 14 hours per month for three to eight years of service; 16 hours per month for eight to 15 years of service; and from 15 years of service and over, 18 hours per month are earned. There is no requirement that annual leave be taken and there is no maximum accumulation. At termination, these employees are paid for up to 240 hours of accumulated annual leave.

The liability for accrued leave at June 30, 1996, as reported in the Current Funds, was as follows:

Accumulated annual leave	<u>\$438,358</u>
--------------------------	------------------

### (4) Prior Period Adjustments.

For the year ended June 30, 1996, the institution recorded prior period adjustments which consisted of the following additions and deductions to the various fund balances:

<u>Explanation</u>	<u>Additions (Deductions)</u>
Unrestricted General Fund	
To properly record the receipt of revenue for a prior year accounts receivable that was included in the current year.	\$ 55,441
To correctly account for prior year expenses for state appropriated revenue distributed to the universities in the current year.	(1,198,567)
To correct prior year errors in the recording of accounts receivable.	<u>(512,077)</u>
Total Unrestricted General Fund	<u>\$ (1,655,203)</u>

# BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING

## Notes to Financial Statements For the Year Ended June 30, 1996

Explanation	Additions (Deductions)
Restricted Fund	
To correctly account for prior year expenses for state appropriated revenue distributed to the universities in the current year.	\$ <u>(143,716)</u>

### (5) Cash and Other Deposits.

For financial statement purposes cash and other deposits are represented by demand accounts and time deposits such as savings accounts, certificates of deposit and money market funds, U.S. Treasury bills and notes, discount notes, and repurchase agreements with a maturity of one year or less as of June 30, 1996. Also included in this account are imprest cash accounts held by the institution. The institution participates in the State of Mississippi Securities Pledged Collateral Pool (the Pool) which includes funds on deposit at the following banks:

- Trustmark National Bank
- Deposit Guaranty National Bank

The Pool is monitored by the State Treasurer's Office. The carrying amount of cash deposits for all state entities participating in the Pool at June 30, 1996 was \$253,669,000 and the corresponding depository balances which are represented by collected funds were \$258,700,000. The portion of such depository balances covered by federal depository insurance or by collateral held by the institution's agent in the name of the institution was \$181,226,000. In addition, \$16,199,000 was collateralized with securities held by a pledging financial institution's agent in the entities name. The remaining \$61,275,000 was collateralized with securities held by a pledging financial institution or was uninsured and uncollateralized.

The following schedule presents the carrying amounts and depository balances for the Board of Trustees of the State Institutions of Higher Learning funds included in the State of Mississippi Securities Pledged Collateralization Pool. The schedule also presents information concerning funds held at depositories not included in the Pool, and the securities pledged as collateral for these funds. The depository balances include accrued interest.

	Carrying Amount	Depository Balance	Total	Securities Pledged as Collateral		
				(1)	(2)	(3)
Funds included in state collateral pool	\$ 13,749,355	14,460,556		(see explanation above regarding securities pledged - State of Mississippi Securities Pledged Collateralization Pool)		
U.S. Treasury bills and notes	<u>258,543</u>	<u>258,543</u>	N/A	N/A	N/A	N/A
Totals	\$ <u>14,007,898</u>	<u>14,719,099</u>				

- (1) Funds were fully insured or collateralized with securities held by the institution or its agent in the name of the institution.
- (2) Funds were collateralized with securities held by a pledging financial institution's trust department or agent in the institution's name.
- (3) Funds were collateralized with securities held by a pledging financial institution or were uninsured and uncollateralized.

BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements  
For the Year Ended June 30, 1996

(6) Investments.

The following table presents the carrying and market value of investments by type and categorizes the carrying amounts as follows: category 1 are those which are insured or registered, or held by the institution or its agent; category 2 are those which are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the name of the institution; and, category 3 are those which are uninsured or unregistered, with securities held by the counterparty or by its trust department or its agent but not in the name of the institution.

		Category			Carrying	Market
		-1-	-2-	-3-	Amount	Value
U.S. T-Notes	\$	5,061,390			5,061,390	5,028,894
Federal Home Farm Notes		2,499,610			2,499,610	2,417,480
U.S. Govt. Money-Market Trust		<u>306,856</u>			<u>306,856</u>	<u>306,856</u>
Total	\$	<u>7,867,856</u>	<u>0</u>	<u>0</u>	<u>7,867,856</u>	<u>7,753,230</u>

(7) Notes Receivable From Students.

Notes receivable from students are payable in installments over a period of up to ten years, commencing three to 12 months from the date of separation from the institution. Payment may take the form of service time (generally two years service for every year the grant was awarded). The following is a schedule of interest rates and unpaid balances for the different types of notes receivable held by the institution at June 30, 1996:

	Interest		Unpaid
	Rates		Balance
			6-30-96
Paul Douglas Teacher Scholarship Loans	8%	\$	555,910
Institution loans	6-12%		<u>8,986,224</u>
Total Notes Receivable			9,542,134
Less: Allowance for Doubtful Accounts			<u>285,596</u>
Net Notes Receivable		\$	<u>9,256,538</u>

BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements  
For the Year Ended June 30, 1996

(8) Long-term Debt.

The institution has long-term obligations of the following:

Description and Purpose	Original Issue	Annual Interest Rate	Maturity Date	Amount Owed at 6-30-96
Capital Leases:				
Carlye Capital Markets, Inc. Capital lease to purchase computer system	\$ 63,177	Variable	6/15/98	\$ 27,297
Carlye Capital Markets, Inc. Capital lease to upgrade computer system	<u>23,695</u>	Variable	4/15/98	<u>23,097</u>
Total Capital Leases	<u>\$ 86,872</u>			<u>\$ 50,394</u>

These leases cover a 60 month period. The institution has the option to prepay all outstanding payments less any unearned interest to fully satisfy the obligation.

There is also a fiscal funding addendum that states that if funds are not appropriated for periodic payment for any future fiscal period, the lessee will not be obligated to pay the remainder of the total payments due beyond the end of the current fiscal period.

The amount capitalized as leased property under capital leases is the amount of the original obligation.

Annual requirements to amortize outstanding long-term debt are as follows:

Year Ending June 30	Leases
1997	\$ 19,978
1998	<u>34,211</u>
Total	54,189
Less: Amounts Representing Interest	<u>3,795</u>
Total at Present Value	<u>\$ 50,394</u>

## BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING

### Notes to Financial Statements For the Year Ended June 30, 1996

#### (9) Pension Plan.

Plan Description. The Board of Trustees of the State Institutions of Higher Learning contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the Board of Trustees of the State Institutions of Higher Learning is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirement of PERS members are established and may be amended only by the State of Mississippi Legislature. The Board of Trustees of the State Institutions of Higher Learning's contributions to PERS for the years ending June 30, 1996, 1995 and 1994 were \$442,293, \$433,995 and \$396,177, respectively, equal to the required contributions for each year.

#### (10) Workers' Compensation Plan.

The institution participates in a self-funded Workers' Compensation Plan (the Plan) along with the other public four-year universities of the state. The Plan exists in order to provide a mechanism for the State Institutions of Higher Learning (IHL) to fund and budget for the costs of providing Workers' Compensation benefits to eligible employees. The Plan does not pay benefits directly to employees. Rather, funds are set aside in trust and a third party Plan administrator is utilized to distribute the benefits to eligible employees. The assets of the Plan at June 30, 1996 were \$2,756,706.

A professionally licensed actuarial firm was contracted to prepare quarterly reports setting forth estimated reserves for the Plan. The June 30, 1996 quarterly report estimates that contingent liabilities exceeded Plan assets by \$2.235 million.

#### (11) Unemployment Trust Fund.

The institution participates in a self-funded Unemployment Trust Fund (the Fund) along with the other public four-year universities of the state. The Fund exists in order to provide a mechanism for the State Institutions of Higher Learning (IHL) to fund and budget for the costs of providing unemployment compensation benefits to eligible former employees. The Fund does not pay benefits directly to former employees. Rather, it reimburses the Mississippi Employment Security Commission for benefits it pays directly to former IHL employees. The assets of the Fund at June 30, 1996 were \$806,346 and the liabilities were \$110,443.

A professional licensed actuarial firm was contracted to perform an actuarial analysis of the Fund as of June 30, 1996. They determined the recommended funding requirement as of June 30, 1996 is \$700,000 to \$1,000,000. Furthermore, they concluded that since the actual fund balance was \$695,903 and is, for practical purposes, equal to the lower end of the recommended range, that the Fund balance at June 30, 1996 is reasonable.

## BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING

### Notes to Financial Statements For the Year Ended June 30, 1996

#### (12) Tort Liability Trust Fund.

The institution participates in a self-funded Tort Liability Trust Fund (the Trust Fund) along with the other public four-year universities of the state. In accordance with Section 11-46 of Mississippi State Law, the Mississippi Tort Claims Board has authorized the Board of Trustees of State Institutions of Higher Learning (IHL Board) to establish a fund in order to self-insure a certain portion of its liability under the Mississippi Tort Claims Act. The IHL Board established the Trust Fund to provide for self-insurance.

Effective July 1, 1993, Mississippi statute permitted tort claims to be filed against the State Institutions of Higher Learning. A maximum limit of liability of \$50,000 per occurrence applies for claims or causes of action arising from acts or omissions occurring on or after July 1, 1993, but before July 1, 1997. There after the limit is increased to \$250,000 for the period July 1, 1997 through June 30, 2001, and is increased to \$500,000 after June 30, 2001.

The assets of the Trust Fund at June 30, 1996 were \$3,598,611 and the liabilities were \$1,882,100. A professionally licensed actuarial firm was contracted to perform an actuarial analysis of the Trust Fund as of June 30, 1996. They concluded that the program appears to be adequately funded with a margin of conservatism.

#### (13) Deferred Compensation Plan.

The institution, through the Mississippi Public Employees' Retirement System (PERS), offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the institution (without being restricted to the provisions of benefits under the plan), subject only to the claims of the institution's general creditors. Participants' rights under the plan are equal to those of general creditors of the institution in an amount equal to the fair market value of the deferred account for each participant.

The Mississippi Public Employees' Retirement System maintains the deferred compensation plan account in the name of the institution. The amount of assets held for participants employed by the Board of Trustees of the State Institutions of Higher Learning as of June 30, 1996, was \$245,851.

#### (14) Fund Deficits.

The Board of Trustees of the State Institutions of Higher Learning had a fund deficit of \$159,879 in the Unrestricted General Fund after all audit adjustments were made.

BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING

SUPPLEMENTAL INFORMATION

BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING  
Schedule of Federal Financial Assistance  
For the Year Ended June 30, 1996

	CFDA NUMBER	DIRECT FEDERAL	FEDERAL FLOW- THROUGH	TOTAL REVENUES	TOTAL EXPENDITURES
Major Programs					
Student Financial Aid:					
Department of Education:					
Paul Douglas Teacher Scholarships	84.176A	\$			116,408
Total Student Financial Aid					116,408
Other:					
Department of Education:					
Title II - Critical Skills	84.164B	470,986		470,986	438,676
State Student Incentive Grants	84.069A	537,585		537,585	1,175,922
Office of Literacy					
Staff Development Grant	84.257D	187,757		187,757	190,693
Resource Center Grant	84.254A	31,010		31,010	59,231
Corporation for National and Community Service					
State Commission Administrative	94.003	176,592		176,592	178,856
PDAT Interim Program Development	94.009	40,565		40,565	41,985
Learn and Serve America - Higher Education	94.004	174,299		174,299	145,825
AmeriCorps	94.006	535,337		535,337	513,516
Total Other		2,154,131		2,154,131	2,744,704
Total Major Programs		2,154,131		2,154,131	2,861,112
Other Federal Assistance					
Department of Economics & Community Development:					
Job Training Partnership Act	17.250	7,154		7,154	7,154
Department of Education:					
State Postsecondary Review Program	84.267A	6,418		6,418	6,425
Department of Agriculture:					
Mississippi Rural Development Council	10.250	19,400		19,400	34,377
ACTION:					
Volunteers in Service to America (VISTA)	72.003	2,000		2,000	1,236
Mississippi Department of Wildlife, Fisheries and Parks:					
State Comp. Outdoor Rec. Plan	xx.xxx	50,000		50,000	9,468
Total Other Federal Assistance		84,972		84,972	58,660
Total Federal Financial Assistance		\$ 2,239,103	0	2,239,103	2,919,772

See accompanying Notes to Schedule of Federal Financial Assistance.



## BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING

### Notes to Schedule of Federal Financial Assistance For the Year Ended June 30, 1996

#### A. Basis of Presentation.

The accompanying Schedule of Federal Financial Assistance (the schedule) has been generally prepared in the format as set forth in Statement of Position 92-9. The purpose of the schedule is to present a summary of those activities represented by the Board of Trustees of the State Institutions of Higher Learning for the year ended June 30, 1996, which have been financed by the U.S. Government (federal awards). For the purposes of the schedule, federal awards include all federal assistance and procurement relationships entered into directly between the Board of Trustees of the State Institutions of Higher Learning and the federal government and sub-awards from nonfederal organizations made under federally sponsored agreements. Because the schedule presents only a selected portion of the activities of the Board of Trustees of the State Institutions of Higher Learning, it is not intended to and does not present either the financial position or the changes in fund balances of the Board of Trustees of the State Institutions of Higher Learning.

In accordance with Office of Management and Budget (OMB) Circular A-133, federal awards are classified as follows:

Major Programs - Total federal program expenditures, exclusive of Stafford and Perkins Loans advanced, are the larger of three percent of total federal funds expended or \$100,000.

Student Financial Aid (SFA)  
Office of Literacy  
Title II  
Corporation for National and Community Service

Other Federal Assistance - Federal awards that do not meet the definition of major programs.

For purposes of this schedule, SFA expenditures include the total of loans advanced from the various loan programs. These loans are not reported as expenditures on the financial statements but as an increase in notes receivable.

The "Private Lending Institutions" category in the SFA section includes loans made directly to students from the Stafford Loan Program.

Individual awards within each category of federal awards are identified by CFDA number and program name if the award is individually significant to the category of award. All other awards are presented in total by funding agency.

BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING

Notes to Schedule of Federal Financial Assistance  
For the Year Ended June 30, 1996

B. Revenue and Expenditure Recognition.

Revenue is recognized when received or when earned by the institution.

Deductions (expenditures) for direct costs are recognized as incurred using the accrual method of accounting and the cost accounting principles contained in the U.S. Office of Management and Budget (OMB) Circular A-21, Cost Principles for Educational Institutions. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. Moreover, expenditures include a portion of costs associated with general institution activities (indirect costs) which are allocated to federal awards under negotiated formulas commonly referred to as indirect cost rates. Indirect costs and related revenues applicable to these cost recoveries are classified as unrestricted revenues and expenditures of the general purpose financial statements.

BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING

COMPLIANCE REPORT ON MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING

(This page left blank intentionally)



## State of Mississippi

### OFFICE OF THE STATE AUDITOR

PHIL BRYANT  
AUDITOR

#### COMPLIANCE REPORT ON MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

December 23, 1997

Board of Trustees  
State Institutions of Higher Learning  
Jackson, Mississippi

We have audited the balance sheet of the Board of Trustees of the State Institutions of Higher Learning as of June 30, 1996, the related statement of changes in fund balances, the statement of current fund revenues, expenditures and other changes and the schedule of federal financial assistance and have issued our report thereon dated December 23, 1997.

We have also audited the Board of Trustees of the State Institutions of Higher Learning's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort or earmarking; reporting; claims for advances and reimbursements; monitoring subrecipients; cost allocation; special requirements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance, for the year ended June 30, 1996, and have issued our report thereon dated December 23, 1997. The management of the Board of Trustees of the State Institutions of Higher Learning is responsible for the institution's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States and OMB Circulars A-110 and A-133. Those standards and OMB Circulars A-110 and A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the institution's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed instances of noncompliance with the requirements referred to above, which are described in the accompanying "Schedule of Findings and Recommendations." We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the Board of Trustees of the State Institutions of Higher Learning complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort or earmarking; reporting; claims for advances and reimbursements; monitoring subrecipients; cost allocation; special requirements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs for the year ended June 30, 1996.

This report is intended for the use of the Board of Trustees of the State Institutions of Higher Learning, the cognizant audit agency and other agencies. This restriction is not intended to limit the distribution of this report which is a matter of public record.

A handwritten signature in black ink, reading "Ramona Hill". The signature is written in a cursive, flowing style.

RAMONA HILL, CPA  
Director, Department of Audit

BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING

REPORT ON INTERNAL CONTROL

BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING

(This page left blank intentionally)





## State of Mississippi

### OFFICE OF THE STATE AUDITOR

PHIL BRYANT  
AUDITOR

#### REPORT ON INTERNAL CONTROL

December 23, 1997

Board of Trustees  
State Institutions of Higher Learning  
Jackson, Mississippi

We have audited the balance sheet of the Board of Trustees of the State Institutions of Higher Learning as of June 30, 1996, the related statement of changes in fund balances, the statement of current fund revenues, expenditures and other changes and the schedule of federal financial assistance and have issued our report thereon dated December 23, 1997. We have also audited the institution's compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated December 23, 1997.

We conducted our audit in accordance with generally accepted auditing standards; Government Auditing Standards issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circulars A-110 and A-133. Those standards and OMB Circulars A-110 and A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the institution complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audit for the year ended June 30, 1996, we considered the institution's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the institution's financial statements and on its compliance with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-133.

The management of the Board of Trustees of the State Institutions of Higher Learning is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

Accounting Controls

- Revenue/cash receipts
- Purchasing/cash disbursements
- Payroll
- Property control
- Journal vouchers/interdepartmental transactions
- Bank reconciliations
- Financial reporting

Administration of Federal Financial Assistance Programs

General Requirements

- Political activity
- Civil rights
- Cash management
- Drug-free workplace
- Financial reporting
- Allowable costs/cost principles
- Administrative requirements

Specific Requirements

- Types of services
- Eligibility
- Matching, level of effort
- Reporting
- Cost allocation
- Special requirements, if any
- Monitoring subrecipients

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures, determined whether they have been placed in operation and we assessed control risk.

For the year ended June 30, 1996, the institution expended 98% of its total federal financial assistance under major federal financial assistance programs.

We performed tests of controls as required by OMB Circular A-133 to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of the institution's major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements or that could adversely affect the organization's ability to administer federal award programs in accordance with applicable laws and regulations.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited or that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected by employees in the normal course of performing their assigned functions.

We have identified seven reportable conditions, four of which we consider to be material weaknesses as defined in the preceding paragraph. These matters are included in the accompanying "Schedule of Findings and Recommendations."

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

This report is intended for the use of the Board of Trustees of the State Institutions of Higher Learning, the cognizant audit agency and other agencies. This restriction is not intended to limit the distribution of this report which is a matter of public record.

A handwritten signature in black ink, reading "Ramona Hill". The signature is written in a cursive, flowing style.

RAMONA HILL, CPA  
Director, Department of Audit

BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING

(This page left blank intentionally)

BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING

MANAGEMENT REPORT

BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING

(This page left blank intentionally)



## State of Mississippi

### OFFICE OF THE STATE AUDITOR

PHIL BRYANT  
AUDITOR

#### MANAGEMENT REPORT

December 23, 1997

Board of Trustees  
State Institutions of Higher Learning  
Jackson, Mississippi

We have audited the balance sheet of the Board of Trustees of the State Institutions of Higher Learning as of June 30, 1996, the related statement of changes in fund balances, the statement of current fund revenues, expenditures and other changes and the schedule of federal financial assistance for the year then ended and have issued our report thereon dated December 23, 1997. We conducted our audit in accordance with generally accepted auditing standards; Government Auditing Standards issued by the Comptroller General of the United States; the provisions of OMB Circulars A-110 and A-133; the provisions of compliance features identified in the Department of Health and Human Services (DHHS) Guidelines for Audits of Federal Awards to Educational Institutions (guidelines); and the provisions of compliance features identified in the U.S. Department of Education Audit Guide for Student Financial Assistance Programs. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

#### Laws and Regulations

Compliance with laws, regulations, contracts, grants and binding policies and procedures applicable to the Board of Trustees of the State Institutions of Higher Learning is the responsibility of the institution's management. As part of our audit, we performed tests of the institution's compliance with certain provisions of laws, regulations, contracts, grants and binding policies and procedures. However, it should be noted that we performed those tests of compliance as part of obtaining reasonable assurance about whether the financial statements are free of material misstatement; our objective was not to provide an opinion on compliance with such provisions.

The results of our tests indicate that for the items tested, the Board of Trustees of the State Institutions of Higher Learning had complied with those laws and regulations referred to above, noncompliance with which could have a material effect on the audited financial statements. For items not tested, nothing came to our attention that would lead us to believe the Board of Trustees of the State Institutions of Higher Learning had not complied with the laws and regulations, noncompliance with which could have a material effect on the audited financial statements.

## Compliance with Requirements of the Federal Financial Assistance Programs

### A. Compliance with Specific Requirements for Major Programs.

#### Summary of Transactions for Major Programs.

##### 1. Student Financial Aid.

Department of Education Paul Douglas Teacher Scholarship	<u>Number of Items</u>		<u>Total</u>
Universe		\$	116,408
Sample	10		41,137

##### 2. Other Major Programs.

A. Department of Education Title II - Critical Skills	<u>Number of Items</u>		<u>Total</u>
Universe		\$	438,676
Sample	10		397,210

B. Department of Education State Student Incentive Grants	<u>Number of Items</u>		<u>Total</u>
Universe		\$	1,175,922
Sample	18		773,761

C. Office of Literacy Staff Development Grant Resource Center Grant	<u>Number of Items</u>		<u>Total</u>
Universe		\$	249,924
Sample	53		146,524

D. Corporation for National & Community Service State Commission Administrative PDAT Interim Program Development Learn and Serve America - Higher Education AmeriCorps	<u>Number of Items</u>		<u>Total</u>
Universe		\$	880,182
Sample	47		394,701

For the items tested, we found one instance of noncompliance with specific requirements of the major federal financial assistance programs which is described in the accompanying "Schedule of Findings and Recommendations."



B. Compliance with General Requirements.

We have applied procedures to test the Board of Trustees of the State Institutions of Higher Learning's compliance with the following requirements applicable to each of its federal financial assistance programs, which are identified in the schedule of federal financial assistance, for the year ended June 30, 1996:

1. Political activity
2. Drug-free workplace
3. Civil rights
4. Cash management
5. Financial reporting
6. Allowable costs/cost principles
7. Administrative requirements

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Audits of Institutions of Higher Learning. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the institution's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no instances of noncompliance with the requirements listed in the preceding paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the Board of Trustees of the State Institutions of Higher Learning had not complied with those requirements.

Other Findings

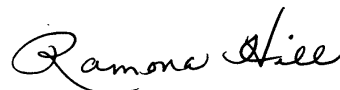
During the course of our audit, matters were detected which require the attention of management. These matters, which do not have a material effect on the audited financial statements, include deviations from generally accepted accounting principles and other matters involving the internal control structure and its operation.

These findings are listed in the accompanying "Schedule of Findings and Recommendations."

Follow-up on Prior Year Findings

Government Auditing Standards require the auditor to disclose the status of known but uncorrected significant or material findings from prior audits. Any findings noted in the previous audit that were not corrected are presented in the "Schedule of Findings and Recommendations."

This report is intended for the use of the Board of Trustees of the State Institutions of Higher Learning, the cognizant audit agency and other federal audit agencies. This restriction is not intended to limit the distribution of this report which is a matter of public record.



RAMONA HILL, CPA  
Director, Department of Audit

BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING

(This page left blank intentionally)

BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING

(This page left blank intentionally)

# BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING

## Schedule of Findings and Recommendations For the Year Ended June 30, 1996

### Internal Control

#### Material Weaknesses

1. Finding

As noted in the prior year, the University Press has a separation of duties weakness in their journal entry accounting system. The Press's business manager is solely involved in all phases of the journal entry process. This involves the creation, coding, inputting and approval duties for journal entry transactions.

Recommendation

The University Press needs to involve another person in their journal entry process. Due to the Press's limited number of staff, their options are somewhat limited, but designating one other person to review the business manager's journal entries for mathematical and coding accuracy would give greater assurance that the entries are proper.

2. Finding

As noted in the prior year, the institution's system for the monitoring of the financial performance of its Department of Education's Title II (CFDA #84.164B) subrecipients, is not adequate. An A-133 annual federal audit report was obtained from each of the subrecipients, but they were not examined in any fashion. No other form of monitoring was consistently followed.

Recommendation

The institution needs to develop a strong system of financial performance monitoring for its Title II program. An effective system should include the receipt and evaluation of annual A-133 federal audit reports from each subrecipient.

3. Finding

During our review of the computer system, we noted that five out of nine people in the accounting offices had access to everything in the financial, payroll, accounts receivable, general and position (personnel) modules of the computer system.

Recommendation

Even though all five of these employees are not aware that they have complete access to all of the financial related software, nor how to use some of the software, they are computer literate. The BANNER system is very user friendly and these employees could easily learn to use software modules that are outside their job responsibilities. We recommend that the institution re-evaluate the access needs of its employees so that employees only have access to the software needed to accomplish their job.

## BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING

### Schedule of Findings and Recommendations For the Year Ended June 30, 1996

#### 4. Finding

We noted a lack of segregation of duties within the payroll department. One employee performs the following payroll and payable duties:

- \* Has access to computer screens that enters new employees into the computer system.
- \* Has access to computer screens that enters time sheet information into the computer system.
- \* Performs all other functions including printing the checks.
- \* Receives checks after they are signed.
- \* Has complete access to the payable module.
- \* Enters new payable vendor information.
- \* Processes all payroll withholdings through the payable system.

#### Recommendation

We recommend that the employee that performs payroll duties not have access to the add/delete employee screens, nor access to the screen for entering time worked. We also recommend that the employee preparing payroll not have access to payroll checks after they are signed. The entering of new payable vendors by this employee will be acceptable if access is not granted to any other payable function, including payroll withholdings.

#### Reportable Conditions

#### 1. Finding

As noted in the prior year, the institution's Corporation for National and Community Service projects (CFDA #94.003 through #94.007) and Department of Education's Office of Literacy projects (CFDA #84.254A and #84.257D), do not have a system in place to produce the periodic "personal activity reports" for the federally paid employees. These reports are required by OMB Circular A-21.

#### Recommendation

These "personal activity reports" must be prepared periodically. The reports must show the employees distribution of activity utilized on each federal program during that time period. One hundred percent of the employees effort must be documented. These reports should be approved by the employee and the project director.

#### 2. Finding

During our review of the institution's internal control system over fixed assets, equipment, we noted that the property form F reports were not adequately reconciled with the general ledger. This form and the general ledger did not agree at year-end.

#### Recommendation

The institution needs to establish stronger controls over the property records and form F reporting process. This will assure that these records agree to the general ledger at year-end. This will also provide stronger assurance that assets have been capitalized properly.

# BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING

## Schedule of Findings and Recommendations For the Year Ended June 30, 1996

### 3. Finding

Our review of the institution's internal control system over accounts payable revealed the following:

- \* The institution does not have an adequate system to document the date goods are received or the date services are performed.
- \* The institution included invoices for goods received and services performed after year-end in its accounts payables.

#### Recommendation

The institution needs to develop a stronger accounts payable system in which to document the date when goods are received and the date when services are performed. Also, transactions occurring after year-end should not be included in accounts payable. These should be included in prepaid expenses if the goods are received or the services have been performed prior to year-end for the next fiscal year.

### Specific Compliance with Major Federal Financial Assistance Programs

#### Finding

The institution miscalculated three out of ten or thirty percent of its students forgiveness balance for the Paul Douglas student financial aid program. This resulted in notes receivable being understated in the amount of \$5,946.76.

#### Recommendation

The institution should use care when calculating student forgiveness. This will ensure that the notes receivable balance at fiscal year-end will be correct.

### Other Findings

#### 1. Finding

During our review of transfers, we noted the following exceptions:

- \* The institution did not equalize transfers on its statement of changes in fund balances in the financial report dated June 30, 1996. We made an audit adjustment to correct transfers.
- \* The institution recorded transfers for reduction in fund equity accounts as prior period adjustments. We made audit adjustments to correct these transfers.

#### Recommendation

For proper presentation of fund transfers, the institution needs to equalize them on the financial report. Also, the institution needs to use care in recording accounts to assure proper presentation of transfers on the financial report.

BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING

Schedule of Findings and Recommendations  
For the Year Ended June 30, 1996

2. Finding

The institution does not have an Information Management short/long range plan.

Recommendation

The institution should maintain and follow an Information Management short/long range plan for information systems hardware, software and personnel.



BOARD OF TRUSTEES OF THE STATE INSTITUTIONS OF HIGHER LEARNING  
DATA SHEET  
For the Year Ended June 30, 1996

Lead Auditor: Brent Ballard, CPA

Telephone Number: (601) 364-2720

Contact Person at Institution: Jim Rhodes

Address of Contact: 3825 Ridgewood Road, Jackson, MS 39211

Telephone Number of Contact: (601) 982-6611

The field audit work was performed between June 23, 1997 and December 23, 1997 at the institution's facilities as follows:

<u>Location</u>	<u>Description of Facility</u>	<u>Dates Visited</u>
3825 Ridgewood Road Jackson, MS 39211	Administrative Facilities	June 23, 1997 through December 23, 1997